

## Message Text

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PAGE 01 KUALA 02606 012002Z  
ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 SP-02 USIA-06 AID-05 EB-08  
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00  
FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04  
SIL-01 L-03 H-01 PA-01 /089 W  
-----079403 012012Z /43

R 310036Z MAR 78  
FM AMEMBASSY KUALA LUMPUR  
TO SECSTATE WASHDC 3193  
INFO AMEMBASSY MANILA

C O N F I D E N T I A L KUALA LUMPUR 2606

USADB

E.O.11652: GDS  
TAGS: EPAP, EFIN, EAGR, IZOSLN MY  
SUBJECT: IBRD LOANS' TO MALAYSIA

1. IN THE COURSE OF A DISCUSSION OF VARIOUS ECONOMIC MATTERS WITH ECON. COUNSELOR, MFA PRINCIPAL ASSISTANT SECRETARY FOR TRADE AND GENERAL AFFAIRS AMIR JAAFAR RAISED THE ISSUE OF THE RECENT U.S. VOTE AGAINST THE IBRD LOAN FOR THE NORTHWEST SELANGOR DEVELOPMENT PROJECT BECAUSE OF ITS CONNECTION WITH PALM OIL PRODUCTION. JAAFAR POINTED OUT THAT THE PROJECT WAS ESSENTIAL TO MALAYSIA'S DEVELOPMENT PLAN, THE AREA COVERED IS A SIGNIFICANT POCKET OF RURAL POVERTY. THIS PROJECT PROVIDES FOR INFRASTRUCTURE DEVELOPMENT IN THE FORM OF IRRIGATION AND ROADS. JAAFAR ADMITTED IT WOULD ULTIMATELY ENABLE FARMERS TO CULTIVATE OIL PALM. HE SAID HE UNDERSTOOD THE U.S. POSITION AND WHY THE U.S. FELT IT NECESSARY TO VOTE AGAINST THE LOAN. HOWEVER, THE GOM IS CONCERNED, AND HOPES THAT THIS WILL NOT BECOME A TREND.

2. ECON. COUNSELOR POINTED OUT THE NATURE OF THE COMMITMENT MADE BY THE ADMINISTRATION IN ORDER TO OBTAIN CONGRESSIONAL SUPPORT FOR  
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PAGE 02 KUALA 02606 012002Z

U.S. CONTRIBUTIONS TO I.F.I.'S. HE MENTIONED THAT PALM OIL IS A SENSITIVE ISSUE IN THE U.S., THAT MANY CONSTITUENTS OF CONGRESSMEN FEEL THAT U.S. TAXPAYERS' MONEY SHOULD NOT BE USED TO DEVELOP COMPETITORS FOR THEIR PRODUCTSOF

3. ECON. COUNSELOR EXPRESSED CONCERN THAT A CONTINUATION OF THE HIGH RATE OF INCREASE OF PRODUCTION OF PALM OIL WILL CAUSE A

SERIOUS GLUT OF EDIBLE OILS IN THE MEDIUM TERM FUTURE. JAAFAR SAID HE DID NOT THINK THIS WOULD HAPPEN AS WORLD POPULATION GROWTH WILL CAUSE INCREASED DEMAND FOR PALM OIL IN THE COMING YEARS.

4. ECON. COUNSELOR PROMISED TO KEEP MFA INFORMED OF FUTURE DEVELOPMENTS IN U.S. POLICY REGARDING I.F.I. LOANS.  
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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** VOTING, LOANS  
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**Copy:** SINGLE  
**Draft Date:** 31 mar 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Errors:** N/A  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
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**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014